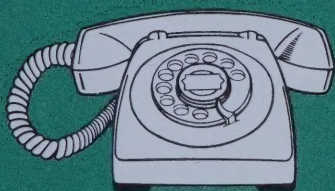


Annual Report 1969

ANGLO-CANADIAN TELEPHONE COMPANY



*715 Victoria Square
Montreal 126, P.Q.*



Directors

THOMAS A. BOYD
JACQUES BRILLANT
JAMES J. CLERKIN, JR.
ARISTIDE COUSINEAU
JOHN J. DOUGLAS

THEODORE S. GARY
CYRUS H. McLEAN
DONALD C. POWER
DAVID L. TORREY
LESLIE H. WARNER

Officers

JOHN J. DOUGLAS
President
THEODORE S. GARY
Vice-President

CAMERON HOUGH
Vice-President, Secretary and Treasurer
HAROLD H. HOWLETT — *Assistant Secretary*

RICHARD F. HARDY, *Assistant Treasurer*

Transfer Agents and Registrars

CUMULATIVE PREFERRED STOCK

The Royal Trust Company, Montreal, P.Q., Canada

Co-Transfer and Co-Registrar Offices at

Toronto, Winnipeg, Vancouver, Saint John, Halifax and Calgary

COMMON STOCK

The Company

To the Shareholders:

March 9, 1970

Submitted herewith is the Thirty-Fifth Annual Report of Anglo-Canadian Telephone Company covering operations of the Company and its subsidiaries for the year 1969 with comparative results for the preceding year. The balance sheets and related statements of income, retained earnings and source and use of funds are presented on both an individual corporate and consolidated basis.

Consolidated net income for the year ended December 31, 1969 amounted to \$11,157,000 compared with \$10,109,000 in 1968, an increase of \$1,048,000 or 10%. The increase in net income was achieved despite the presence of increased inflationary pressures on the operations of our subsidiary companies which have caused higher labor costs and continued high interest rates on borrowed funds.

Corporate net income for 1969 amounted to \$6,198,000 compared with \$6,042,000 in the previous year, an increase of \$156,000. The 1968 income included \$415,000 resulting from the restoration to income of a provision for contingencies no longer required.

The principal subsidiary of the Company, British Columbia Telephone Company (Brico) and Brico's subsidiary, Okanagan Telephone Company, serve over 99% of the telephones in Canada's most westerly province. Capital expenditures during 1969 totaled over \$74,000,000—the highest of any single year to date—reflecting the increasing demand for telephone and other communications services in the fast-growing Province of British Columbia. Telephones in service increased by 60,519 during the year and at December 31, 1969 totaled 974,823. Total operating revenues rose to \$158,044,000 in 1969, an increase of \$18,654,000 or 13% over the previous year's comparable results. Net income available for ordinary shares was \$14,804,000 for the year, equal to \$5.28 per average ordinary share outstanding during the year compared with \$4.93 for the 1968 period. Anglo invested an additional \$8,800,000 in the ordinary shares of Brico early in the year to maintain its 50% interest in that company. The additional shares sold by Brico on a rights basis were fully subscribed.

Total operating revenues of Québec-Téléphone, a 55% owned subsidiary of the Company, rose to \$25,892,000 compared with \$22,632,000 in 1968, an increase of \$3,260,000 or 14%, and net operating income was up by \$404,000. Net income available for common was \$2,226,000 for the year compared with \$2,072,000 in 1968, equal to \$1.28 per common share against \$1.19 a year earlier. Québec-Téléphone invested more than \$11,000,000 during the year to bring new and improved service to its subscribers and at year-end Québec served 144,235 telephones, an increase of 8,165 for the year. Anglo's equity investment in Québec-Téléphone was increased by \$2,400,000 through the purchase of shares of that company's convertible preferred stock offered to shareholders at the beginning of the year.

Compania Dominicana de Telefonos, C. por A., a wholly-owned subsidiary of Anglo, operates the telephone system in the Dominican Republic. Telephones in service were increased by 4,465 during the past year, totaling 37,981 at December 31, 1969. Total operating revenues increased \$1,370,000 in 1969 over the previous year, rising to \$6,462,000, a 27% gain over last year. Net income available to Anglo increased to \$2,014,000 from \$1,628,000 a year earlier, a gain of \$386,000 or 24%.

Construction programs for the telephone subsidiaries for the year 1970 total approximately \$108,000,000. The demand continues for new and improved services in all areas served by our subsidiaries.

On Behalf of the Board of Directors

A handwritten signature in dark ink, reading "John J. Douglas". The signature is fluid and cursive, with the first name "John" and last name "Douglas" clearly legible.

President

ANGLO-CANADIAN TELEPHONE COMPANY

Balance Sheets

December 31, 1969 and 1968

Assets		1969	1968
INVESTMENTS IN SHARES AND NOTES OF SUBSIDIARIES:			
Shares, at cost (Notes 1 and 2)		\$104,386,606	\$ 93,190,983
Subordinated Notes of Québec-Téléphone		15,000,000	10,000,000
		<u>119,386,606</u>	<u>103,190,983</u>
CURRENT ASSETS:			
Cash and short-term deposits		2,307,457	595,403
Notes and accounts receivable from subsidiaries		4,093,112	4,127,943
		<u>6,400,569</u>	<u>4,723,346</u>
UNAMORTIZED DISCOUNT AND EXPENSE ON LONG-TERM DEBT		<u>43,474</u>	<u>58,926</u>
		<u>\$125,830,649</u>	<u>\$107,973,255</u>
Shareholders' Equity			
COMMON SHARES (Note 4)		\$ 12,036,850	\$ 11,046,850
PREMIUM ON COMMON SHARES		34,218,247	25,308,247
RETAINED EARNINGS (Note 5)		23,124,688	18,984,987
		<u>69,379,785</u>	<u>55,340,084</u>
PREFERRED SHARES (Note 4)		37,500,000	37,500,000
		<u>106,879,785</u>	<u>92,840,084</u>
Liabilities			
LONG-TERM DEBT (Note 7)		<u>3,380,000</u>	<u>3,640,000</u>
NOTES PAYABLE TO GENERAL TELEPHONE & ELECTRONICS CORPORATION		<u>15,000,000</u>	<u>11,000,000</u>
CURRENT LIABILITIES:			
Current portion of long-term debt		46,000	31,000
Accounts payable		12,015	11,950
Preferred dividends		343,542	343,542
Accrued liabilities		169,307	106,679
		<u>570,864</u>	<u>493,171</u>
		<u>\$125,830,649</u>	<u>\$107,973,255</u>

Signed on behalf of the Board:

JOHN J. DOUGLAS, Director

DAVID L. TORREY, Director

The accompanying notes form an integral part of these financial statements.

ANGLO-CANADIAN TELEPHONE COMPANY

Statements of Income

For the years ended December 31, 1969 and 1968

INCOME:

	1969	1968
Dividends, interest and other income from subsidiaries (Note 2).....	\$ 8,144,611	\$ 6,769,427
Other income.....	61,002	432,564
	<u>8,205,613</u>	<u>7,201,991</u>

EXPENSES:

General administrative and contractual.....	178,809	191,979
Interest and amortization of discount and expense on long-term debt.....	1,698,006	961,226
General taxes.....	2,197	2,209
Provision for Federal and Provincial income taxes.....	128,150	5,000
	<u>2,007,162</u>	<u>1,160,414</u>
Net income.....	<u>\$ 6,198,451</u>	<u>\$ 6,041,577</u>

Statements of Retained Earnings (Note 5)

For the years ended December 31, 1969 and 1968

	1969	1968
BALANCE AT BEGINNING OF YEAR.....	\$18,984,987	\$15,002,160
Add:		
Net income.....	6,198,451	6,041,577
	<u>25,183,438</u>	<u>21,043,737</u>
Deduct:		
Dividends paid or provided for on Cumulative Preferred Shares (Note 4).....	2,058,750	2,058,750
BALANCE AT END OF YEAR.....	<u>\$23,124,688</u>	<u>\$18,984,987</u>

Statements of Source and Use of Funds

For the years ended December 31, 1969 and 1968

SOURCE OF FUNDS:

From operations—		
Net income.....	\$ 6,198,451	\$ 6,041,577
Add—Expenses not requiring cash outlay—Amortization of discount and expense on long-term debt.....	15,452	32,286
	<u>6,213,903</u>	<u>6,073,863</u>
Increase in notes payable to parent.....	4,000,000	8,650,000
Sale of common shares to parent.....	9,900,000	—
	<u>\$20,113,903</u>	<u>\$14,723,863</u>

USE OF FUNDS:

Dividends paid on preferred shares.....	\$ 2,058,750	\$ 2,058,750
Increase in investments in shares and notes of subsidiaries.....	16,195,623	10,492,665
Redemption of long-term debt.....	260,000	260,000
Increase in working capital.....	1,599,530	1,912,448
	<u>\$20,113,903</u>	<u>\$14,723,863</u>

The accompanying notes form an integral part of these financial statements.

ANGLO-CANADIAN TELEPHONE COMPANY and Subsidiaries

Consolidated Balance Sheets

December 31, 1969 and 1968

Assets

FIXED ASSETS:

	1969	1968
Telephone plant, at cost	\$823,725,335	\$748,289,444
Accumulated depreciation	(181,776,650)	(155,903,061)
	641,948,685	592,386,383
Cost of investments in subsidiaries in excess of under- lying book value as of the dates of acquisition	33,068,125	33,046,731
	<u>675,016,810</u>	<u>625,433,114</u>

CURRENT ASSETS:

Cash	1,913,389	1,671,593
Short-term investments and deposits	3,215,540	767,274
Receivables (including unbilled revenues), less allow- ance for doubtful accounts of \$907,175 in 1969 and \$978,931 in 1968	27,609,782	23,353,645
Due from affiliates	242,662	208,967
Materials and supplies, at average cost	12,148,965	11,106,167
Prepayments and other assets	3,437,931	3,074,352
	<u>48,568,269</u>	<u>40,181,998</u>

DEFERRED CHARGES:

Unamortized discount and expense on long-term debt . .	4,862,981	5,221,269
Other deferred charges	3,309,251	2,288,882
	<u>8,172,232</u>	<u>7,510,151</u>

<u>\$731,757,311</u>	<u>\$673,125,263</u>
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Signed on behalf of the Board:

JOHN J. DOUGLAS, Director.

DAVID L. TORREY, Director.

The accompanying notes form an integral part of these financial statements.

Shareholders' Interest

	<u>1969</u>	<u>1968</u>
ANGLO-CANADIAN TELEPHONE COMPANY		
Common shares (Note 4).....	\$ 12,036,850	\$ 11,046,850
Premium on common shares.....	34,218,247	25,308,247
Retained earnings (Note 5).....	<u>51,268,475</u>	<u>42,257,198</u>
	97,523,572	78,612,295
Preferred shares (Note 4).....	37,500,000	37,500,000
Anglo-Canadian shareholders' interest.....	<u>135,023,572</u>	<u>116,112,295</u>
OUTSIDE SHAREHOLDERS' INTEREST IN SUBSIDIARIES		
Preference and preferred shares (Note 6).....	96,221,555	94,429,280
Minority interest in ordinary and common shares and retained earnings.....	<u>85,165,573</u>	<u>73,123,608</u>
Total outside shareholders' interest.....	<u>181,387,128</u>	<u>167,552,888</u>

Liabilities

LONG-TERM DEBT (Note 7).....	<u>258,748,487</u>	<u>260,024,352</u>
NOTES PAYABLE TO GENERAL TELEPHONE & ELECTRONICS CORPORATION.....	<u>15,000,000</u>	<u>11,000,000</u>
SHORT-TERM NOTES PAYABLE (Note 8).....	<u>53,858,000</u>	<u>45,331,000</u>
CURRENT LIABILITIES (EXCLUSIVE OF SHORT-TERM NOTES PAYABLE):		
Current portion of long-term debt.....	774,000	41,500
Accounts payable.....	11,649,965	13,451,060
Due to affiliates.....	4,649,904	3,697,380
Advance billings and customer deposits.....	4,613,209	3,885,352
Dividends.....	2,629,912	2,495,760
Accrued interest on long-term debt.....	3,914,055	3,920,608
Accrued taxes.....	<u>4,499,238</u>	<u>5,710,084</u>
	32,730,283	33,201,744
DEFERRED CREDITS (Note 9).....	<u>55,009,841</u>	<u>39,902,984</u>
CONSTRUCTION PROGRAM AND COMMITMENT (Notes 11 and 12)	<u>\$731,757,311</u>	<u>\$673,125,263</u>

Consolidated Statements of Income

For the years ended December 31, 1969 and 1968

	1969	1968
OPERATING REVENUES:		
Local service.....	\$ 91,709,608	\$ 84,635,583
Toll service.....	93,779,377	78,871,747
Miscellaneous.....	9,832,847	7,670,708
Provision for doubtful accounts.....	(1,622,891)	(1,134,978)
	<u>193,698,941</u>	<u>170,043,060</u>
OPERATING EXPENSES AND TAXES:		
Maintenance.....	34,065,816	31,122,774
Depreciation.....	38,651,868	33,758,941
Traffic.....	17,019,556	13,487,598
Commercial.....	11,801,308	10,561,638
General administrative and other.....	19,391,978	16,489,091
General taxes.....	7,807,644	6,871,306
Provision for Federal and Provincial income taxes—current.....	11,434,346	9,113,215
—deferred.....	11,045,132	10,576,640
	<u>151,217,648</u>	<u>131,981,203</u>
Operating income.....	42,481,293	38,061,857
MISCELLANEOUS INCOME—NET (Note 10).....	<u>1,611,490</u>	<u>1,833,166</u>
	<u>44,092,783</u>	<u>39,895,023</u>
INTEREST AND OTHER DEDUCTIONS:		
Interest on long-term debt.....	14,469,292	14,564,807
Other interest and amortization of discount and expense on long-term debt.....	5,092,496	3,238,891
	<u>19,561,788</u>	<u>17,803,698</u>
Income before outside shareholders' interest.....	<u>24,530,995</u>	<u>22,091,325</u>
OUTSIDE SHAREHOLDERS' INTEREST:		
Preference and preferred dividends of subsidiaries.....	5,006,524	4,684,990
Minority interest in net income of subsidiaries.....	8,367,921	7,297,064
	<u>13,374,445</u>	<u>11,982,054</u>
Consolidated net income.....	<u>\$ 11,156,550</u>	<u>\$ 10,109,271</u>

The accompanying notes form an integral part of these financial statements.

Consolidated Statements of Retained Earnings (Note 5)

For the years ended December 31, 1969 and 1968

	<u>1969</u>	<u>1968</u>
BALANCE AT BEGINNING OF YEAR.....	\$ 42,257,198	\$34,378,671
<i>Add:</i>		
Net income.....	11,156,550	10,109,271
	<u>53,413,748</u>	<u>44,487,942</u>
<i>Deduct:</i>		
Dividends paid or provided for on Cumulative Preferred		
Shares.....	2,058,750	2,058,750
Share issue expenses.....	86,523	171,994
	<u>2,145,273</u>	<u>2,230,744</u>
BALANCE AT END OF YEAR.....	<u>\$ 51,268,475</u>	<u>\$42,257,198</u>

Consolidated Statements of Source and Use of Funds

For the years ended December 31, 1969 and 1968

	<u>1969</u>	<u>1968</u>
SOURCE OF FUNDS:		
From operations—		
Net income.....	\$ 11,156,550	\$10,109,271
<i>Add—</i> Expenses not requiring cash outlay—principal-		
ly depreciation and amortization, and provision		
for deferred income taxes and minority interest	53,566,732	46,951,252
	64,723,282	57,060,523
Sale of securities.....	20,326,162	10,000,000
Increase in notes payable to parent.....	4,000,000	8,650,000
Increase in short-term notes payable.....	8,527,000	14,631,000
Other sources of funds—net.....	2,830,073	—
Decrease in working capital.....	—	4,712,563
	<u>\$100,406,517</u>	<u>\$95,054,086</u>
USE OF FUNDS:		
Construction and other plant additions.....	\$ 88,214,170	\$92,048,472
Reduction in long-term debt.....	1,275,865	946,864
Dividends paid on preferred shares.....	2,058,750	2,058,750
Increase in working capital.....	8,857,732	—
	<u>\$100,406,517</u>	<u>\$95,054,086</u>

The accompanying notes form an integral part of these financial statements.

ANGLO-CANADIAN TELEPHONE COMPANY and Subsidiaries

Notes to Financial Statements

For the year ended December 31, 1969

1. INVESTMENTS IN SHARES OF SUBSIDIARIES

The subsidiaries and equity ownership at December 31, 1969 are as follows:

	Percent Owned
British Columbia Telephone Company	50.31
Canadian Telephones and Supplies Ltd.	100.00
Compania Dominicana de Telefonos, C. por A.	100.00
Dominion Directory Company Limited	100.00
Québec-Téléphone	55.00
York Investment Co. Ltd.	100.00

2. COMPANIA DOMINICANA DE TELEFONOS, C. POR A.

Compania Dominicana de Telefonos, C. por A. is a telephone operating company in the Dominican Republic. The Company's investment in and amounts due from Compania Dominicana at December 31, 1969 amounted to \$9,524,249 (\$9,656,119 in 1968) and the net assets of Compania Dominicana at that date were \$17,245,953 (\$16,012,691 in 1968). Net income of Compania Dominicana included in consolidated net income was \$2,014,342 in 1969 and \$1,628,472 in 1968.

Due to exchange control restrictions in the Dominican Republic, at December 31, 1969, the sum of \$2,577,030 (\$2,719,700 in 1968) representing dividends declared, accrued interest thereon and service fees had not been remitted to the Company. Of this amount \$931,393 was in respect of 1969 and \$1,645,637 in respect of 1968 and prior years.

Under the terms of the original contract made with the Government of the Dominican Republic, the Dominican Government has the right to acquire, at any time, the telephone, telegraph and radio-telegraph property and related assets and liabilities of Compania Dominicana at underlying book value.

During the year, Compania Dominicana obtained a line of credit of U.S. \$4,300,000 from the Export-Import Bank of the United States of America. At December 31, 1969, no amount had yet been advanced under this line of credit. The Company is guarantor to the above line of credit.

3. PRINCIPLES OF CONSOLIDATION

All subsidiaries have been included in the consolidated financial statements. Dominican pesos have been converted at par with the Canadian dollar.

4. CAPITAL STOCK

a) Common Shares, \$10 par value

Authorized—1,700,000 shares

Issued and outstanding—1,203,685 shares

During the year 99,000 shares of common stock were issued to the parent company for \$9,900,000.

b) Preferred Shares, \$50 par value

Authorized—

1,000,000 shares of Cumulative Preferred
Stock (redeemable at \$53 per share).

	Shares	Amount	Dividends paid or provided for
Issued and outstanding—			
4 ½% Cumulative Preferred Shares	125,000	\$ 6,250,000	\$ 281,250
\$2.90 Cumulative Preferred Shares	125,000	6,250,000	362,500
\$2.65 Cumulative Preferred Shares	320,000	16,000,000	848,000
\$3.15 Cumulative Preferred Shares	180,000	9,000,000	567,000
		<u>\$37,500,000</u>	<u>\$2,058,750</u>

5. RETAINED EARNINGS

Under the terms of the Trust Deed pursuant to which the 6% Sinking Fund Debentures Series A were issued by Anglo-Canadian Telephone Company, \$4,083,011 of the Company's retained earnings at December 31, 1969 were restricted as to the payment of common dividends.

The consolidated retained earnings at December 31, 1969 amounted to \$51,268,475 of which \$4,789,299 were restricted as to the payment of common dividends.

6. PREFERENCE AND PREFERRED SHARES OF SUBSIDIARIES OWNED BY OUTSIDERS

British Columbia Telephone Company—

6% Cumulative Preference and Preferred Shares, \$100 par value.....	\$ 5,500,000
4 $\frac{3}{8}$ % to 5 $\frac{1}{4}$ % Cumulative Redeemable Preferred Shares, \$100 par value.....	48,000,000
4.84% to 6.80% Cumulative Redeemable Preferred Shares, \$25 par value.....	30,000,000

Okanagan Telephone Company—

(Subsidiary of British Columbia Telephone Company)

40¢ Cumulative Redeemable Preferred Shares, \$9 par value.....	450,000
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Québec-Téléphone—

5% Cumulative Sinking Fund Redeemable Preferred Shares, \$20 par value.....	2,313,140
4 $\frac{3}{4}$ % Cumulative Redeemable Preferred Shares, \$20 par value.....	8,000,000
6.20% Cumulative Redeemable Convertible Subordinate Preferred Shares, Series A, \$15 par value.....	1,958,415
	<u>\$ 96,221,555</u>

7. LONG-TERM DEBT

Long-term debt outstanding, exclusive of current maturities (net of bonds and debentures on hand), as of December 31, 1969:

Anglo-Canadian Telephone Company—

6% Sinking Fund Debentures Series A, due February 1, 1983.....	\$ 3,380,000
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British Columbia Telephone Company—

First Mortgage Bonds 3 $\frac{1}{8}$ % to 6 $\frac{1}{4}$ % due 1971-1991.....	217,500,000
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Okanagan Telephone Company—

(Subsidiary of British Columbia Telephone Company)

General Mortgage Sinking Fund Bonds 5% to 6 $\frac{1}{2}$ % due 1971-1986.....	6,642,000
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Québec-Téléphone—

First Mortgage Redeemable Sinking Fund Bonds 4 $\frac{1}{4}$ % to 7% due 1972-1990..	23,306,487
General Mortgage Sinking Fund Bonds 5% to 6% due 1976-1983.....	7,920,000
	<u>\$258,748,487</u>

8. SHORT-TERM NOTES PAYABLE

Telephone construction programs have been relatively heavy for some time and it has been the practice to initially finance these construction programs from cash available from operations and from short-term borrowings. Periodically, in order to provide for additional short-term borrowings, short-term loans are refinanced by long-term debt or equity capital. Since the short-term loans are made pending permanent financing, they are classified as noncurrent liabilities on the consolidated balance sheets.

9. DEFERRED CREDITS

Certain subsidiaries are presently claiming for income tax purposes capital cost allowances and other expenditures which are capitalized in their accounts. The resulting reduction in income taxes is deferred. The unamortized balance of taxes deferred by the subsidiaries included in Deferred Credits amounts to \$54,811,000 and \$39,704,000 as of December 31, 1969 and December 31, 1968, respectively.

10. INTEREST CHARGED TO CONSTRUCTION

Miscellaneous income includes interest charged to construction of \$1,298,258 in 1969 and \$1,277,194 in 1968.

11. CONSTRUCTION PROGRAMS

The telephone subsidiaries have announced construction programs for additional plant and facilities in 1970, estimated at approximately \$107,800,000 for which substantial purchase commitments have been made. These construction programs will be financed by cash available from operations and by temporary bank loans and short-term notes pending permanent financing.

12. PENSION PLANS

All companies, except Compania Dominicana de Telefonos, C. por A., maintain funded pension plans for the benefit of substantially all employees. The general policy of the companies is to fund pension costs as incurred. The total pension cost for the companies, including past service cost of \$1,247,500 was approximately \$4,134,500 in 1969. The estimated unfunded liability for past service cost was approximately \$13,759,000 at December 31, 1969, which amount, plus interest thereon, is being amortized over periods not exceeding 25 years.

Auditors' Report

**TO THE SHAREHOLDERS,
ANGLO-CANADIAN TELEPHONE COMPANY:**

We have examined the balance sheet of ANGLO-CANADIAN TELEPHONE COMPANY (a Quebec corporation) and the consolidated balance sheet of ANGLO-CANADIAN TELEPHONE COMPANY AND SUBSIDIARIES as of December 31, 1969, and the related statements and consolidated statements of income, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying financial statements and consolidated financial statements present fairly the financial position of Anglo-Canadian Telephone Company and Anglo-Canadian Telephone Company and subsidiaries as of December 31, 1969, and the results of operations and the source and use of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

**ARTHUR ANDERSEN & Co.,
Chartered Accountants.**

Montreal, January 31, 1970.

